

FY2017 Financial Results (Ended February 28, 2018)

FY2018 Full-year Financial Forecasts (Ending February 28, 2019)

Notes:

- The information within this document is made as of the date of writing. Any forward-looking statements are made according to the assumptions of management and are subject to change as a result of risks and uncertainties. YASKAWA Electric Corporation undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.
- Figures in this document are rounded off, and may differ from those in other documents such as financial results.

YASKAWA ELECTRIC CORPORATION (TSE6506)

Change in Accounting Period and Expression of FY2017 Results

- Accounting period changed from March 20 to the last day of February in FY2017

FY2017 **after** the change of accounting period

March 21, 2017 – February 28, 2018			
1Q	2Q	3Q	4Q
March 21 – June 20	June 21 – September 20	September 21 – December 20	December 21 – February 28

Expressed as

Financial reporting basis

FY2017 **before** the change of accounting period

March 21, 2017 – March 20, 2018			
1Q	2Q	3Q	4Q
March 21 – June 20	June 21 – September 20	September 21 – December 20	December 21 – March 20

Expressed as

Reference basis*

*The predicted impacts of change in accounting period announced with the 1H results on October 23, 2017 are added to the results on financial reporting basis to make figures on reference basis.

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Business Overview

Motion Control

【Core products】

- AC servo motors and controllers
- Linear servo motors
- AC drives



AC servo motor
Σ-7 series



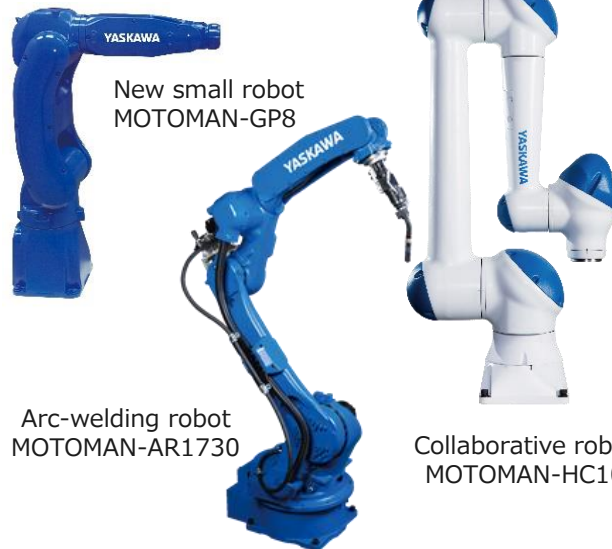
Yaskawa AC drive
new series

Matrix
converter
U1000

Robotics

【Core products】

- Industrial robots
 - Arc and spot welding robots, painting robots
 - FPD glass sheet transfer robots, handling robots
- Semiconductor wafer transfer robots
- Biomedical robots
- Collaborative robots



New small robot
MOTOMAN-GP8

Arc-welding robot
MOTOMAN-AR1730

Collaborative robot
MOTOMAN-HC10

System Engineering

【Core products】

- Electrical systems for steel plants
- Electrical instrumentation systems for water supply plants and sewage treatment facilities
- Large-scale wind power generator and converter
- PV inverters



Large-scale wind
turbine and converter



PV inverter for
photovoltaic power
generation



Continuous-casting machine



Electrical
instrumentation
systems for water
and sewerage

Other

【Core products】

- IT-related services
- Logistics

1. FY2017 Financial Results

FY2017 Financial Results (Highlights)

- Sales and profits grew significantly due to strong demand
(Record high as fiscal year results)**

	FY2017 Results 〈Financial reporting basis〉	Impact of change	FY2017 Results 〈Reference basis〉	FY2016 Results	Changes [※]	
					Amounts	%
Net sales	¥ 448.5bn.	+¥ 16.0bn.	¥ 464.5bn.	¥ 394.9bn.	+¥ 69.6bn.	+17.6%
Operating income	¥ 54.1bn.	+¥ 3.0bn.	¥ 57.1bn.	¥ 30.4bn.	+¥ 26.7bn.	+87.9%
Ordinary income	¥ 55.3bn.	+¥ 3.0bn.	¥ 58.3bn.	¥ 32.0bn.	+¥ 26.3bn.	+82.4%
Profit attributable to owners of parent	¥ 39.7bn.	+¥ 2.0bn.	¥ 41.7bn.	¥ 20.4bn.	+¥ 21.4bn.	+104.7%

* Comparison between FY2017 results <Reference basis > and FY2016 results

FY2017 Financial Results by Business Segment

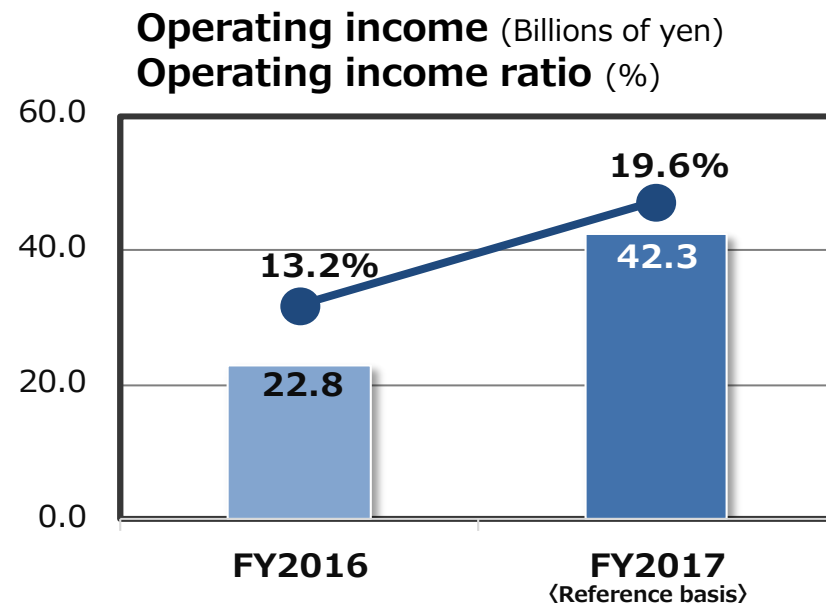
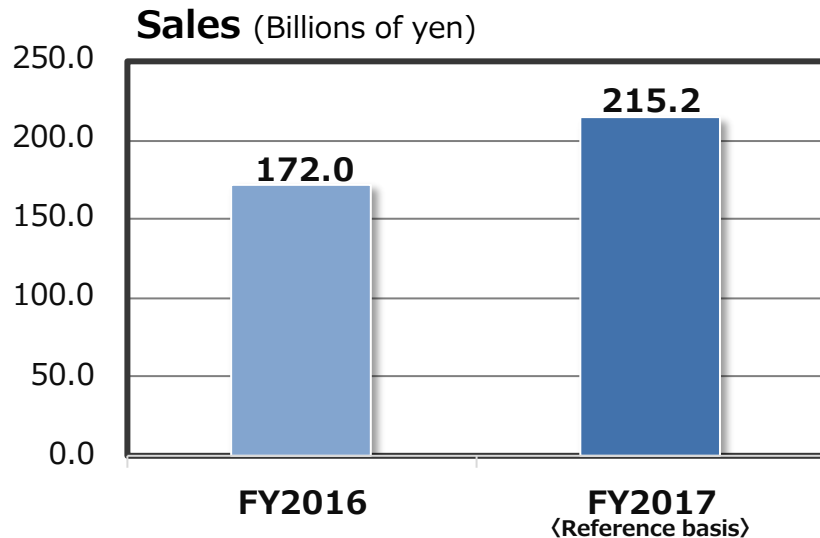
- Motion control and robotics sales grew, which led to a significant improvement in profitability

	FY2017		Impact of change	FY2017		FY2016		Changes [※]	
	Results (Financial reporting basis)	Income ratio		Results (Reference basis)	Income ratio	Results	Income ratio	Amounts	%
(Billions of yen)									
Net sales	448.5		+16.0	464.5		394.9		+69.6	+17.6%
Motion Control	212.1		+3.1	215.2		172.0		+43.2	+25.1%
Robotics	163.4		+3.5	166.8		140.0		+26.8	+19.2%
System Engineering	52.9		+8.4	61.3		59.4		+1.9	+3.3%
Other	20.1		+1.0	21.1		23.5		-2.4	-10.1%
Operating income	54.1	12.1%	+3.0	57.1	12.3%	30.4	7.7%	+26.7	+87.9%
Motion Control	41.7	19.7%	+0.5	42.3	19.6%	22.8	13.2%	+19.5	+85.6%
Robotics	17.8	10.9%	+0.7	18.5	11.1%	10.3	7.3%	+8.2	+80.1%
System Engineering	-3.8	-7.2%	+1.7	-2.1	-3.4%	-0.6	-1.0%	-1.5	-
Other	-0.2	-1.1%	+0.1	-0.2	-0.7%	-0.7	-3.1%	+0.6	-
Elimination or Corporate	-1.4	-	+0.0	-1.4	-	-1.3	-	-0.1	-
Ordinary income	55.3	12.3%	+3.0	58.3	12.6%	32.0	8.1%	+26.3	+82.4%
Profit attributable to owners of parent	39.7	8.9%	+2.0	41.7	9.0%	20.4	5.2%	+21.4	+104.7%

* Comparison between FY2017 results <Reference basis> and FY2016 results

Note: Revisions were made to the division of businesses segments starting 1Q FY2017. The PV inverter business, which was previously included in Motion Control, is included in System Engineering. The figures for FY2016 reflect this change. (Please refer to the reference at the back for details.)

Business Segment Overview: Motion Control



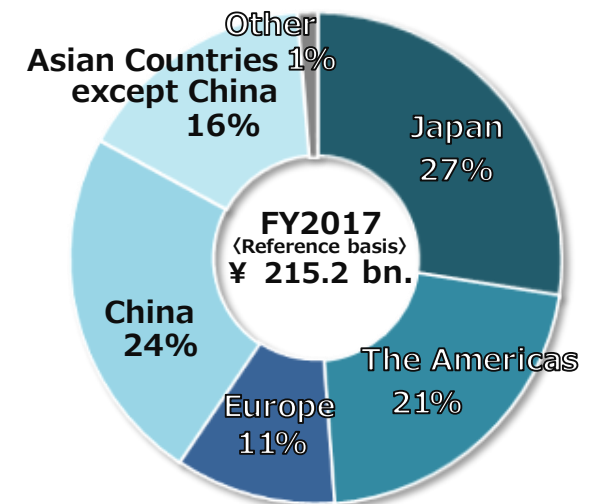
【Sales】

- AC servo sales were strong mainly for the semiconductor and electronic component industries due to promotion of automation of production equipment and robust smartphone-related demand.
- AC drive sales grew on the back of recoveries in the U.S. oil&gas-related demand and infrastructure investment in China.

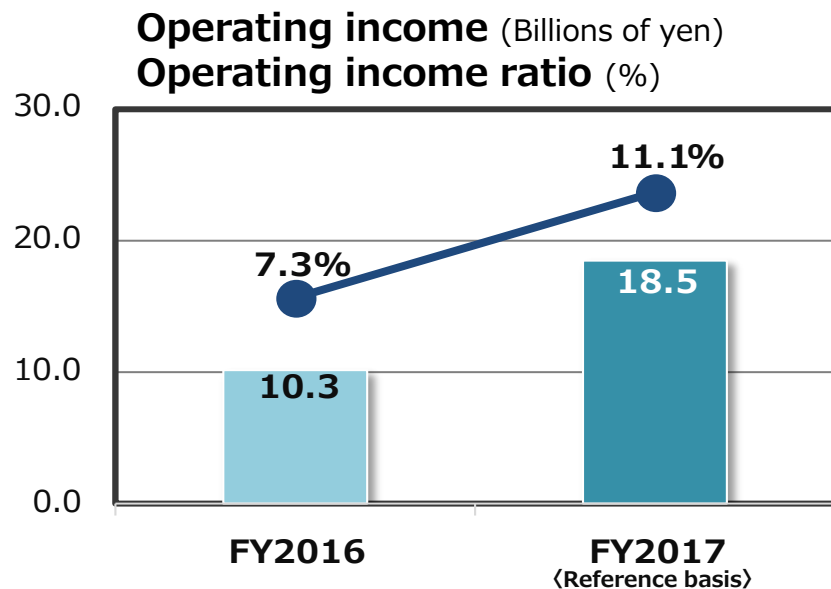
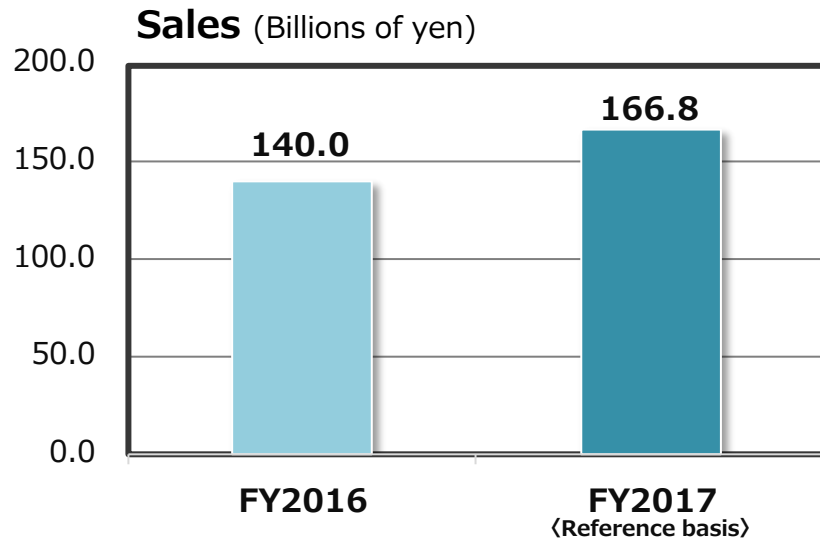
【Operating income】

- Profitability significantly improved because of the growth in sales ratio of the core product Sigma-7 series and expansion of production in China.

Sales breakdown by region



Business Segment Overview: Robotics



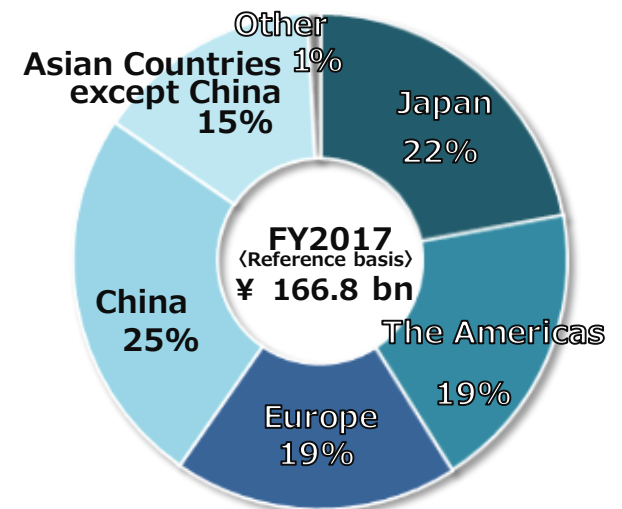
【Sales】

- Automobile-related sales were robust globally.
- Sales for the general industries increased mainly in China because of the strong demand for production automation.
- Sales for the semiconductor industry were strong due to strong demand.

【Operating income】

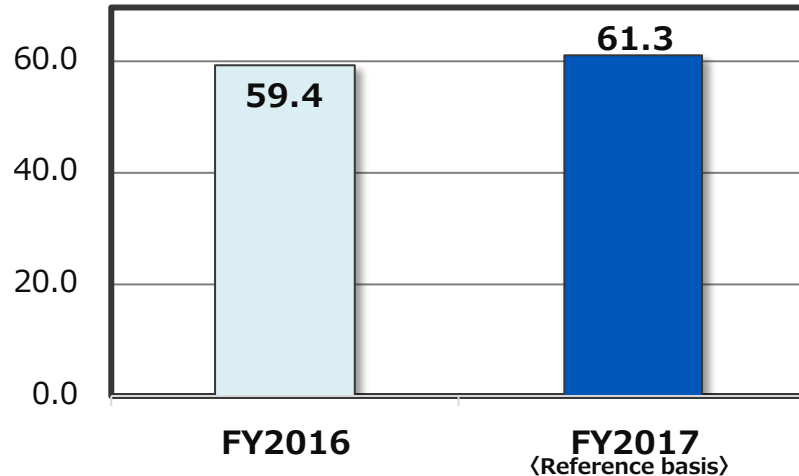
- Profitability increased significantly because production volume remained high-level and ratio of production in China expanded.

Sales breakdown by region



Business Segment Overview: System Engineering

Sales (Billions of yen)



【Sales】

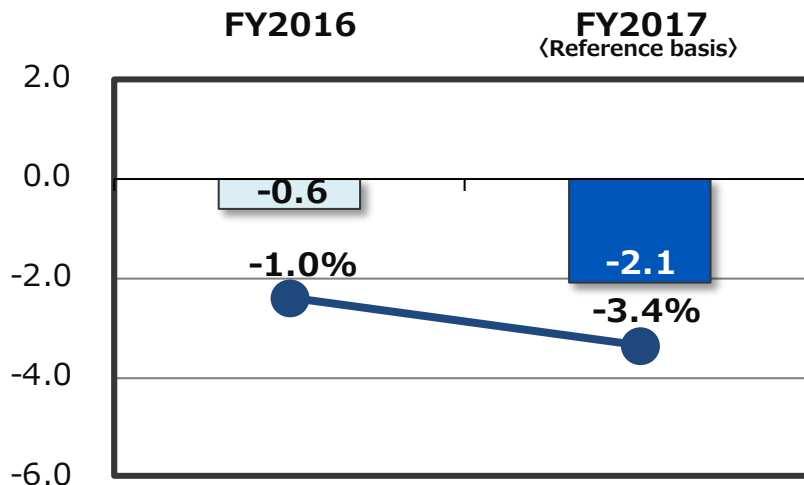
- Steel plant and social system businesses were solid by capturing the need for facility renovation.
- As for the clean power business, sales related to large-scale wind turbines were steady. However, PV inverter sales were sluggish.

【Operating income】

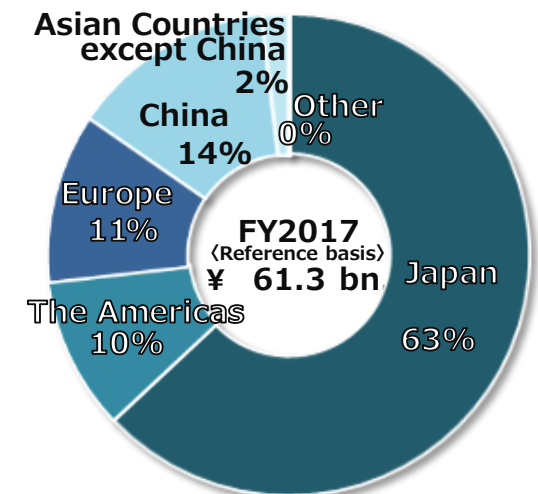
- Sluggish PV inverter sales weighed on the segment profitability.

Operating income/loss (Billions of yen)

Operating income ratio (%)

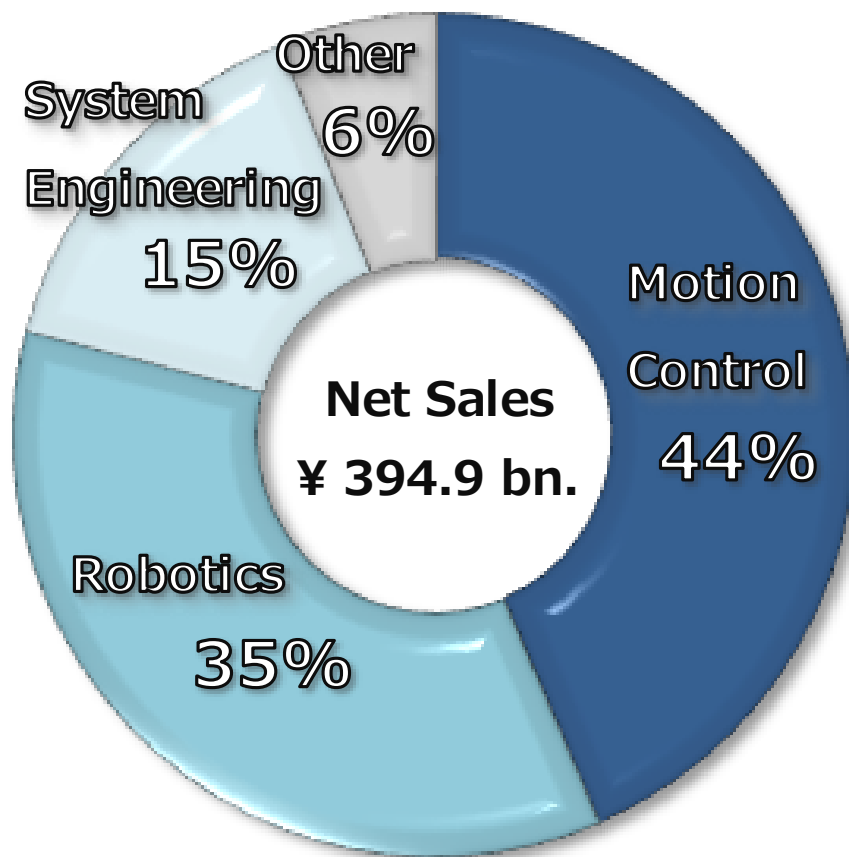


Sales breakdown by region

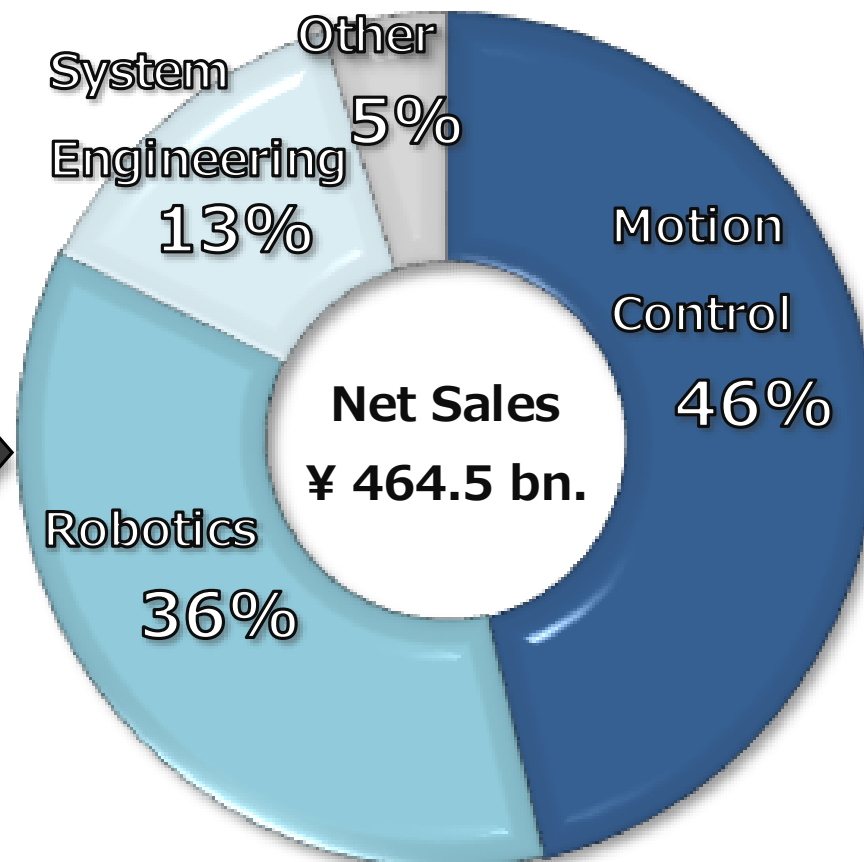


Sales Breakdown by Business Segment

FY2016



FY2017
〈Reference basis〉



Sales Breakdown by Destination (1) (FY2016 → FY2017)

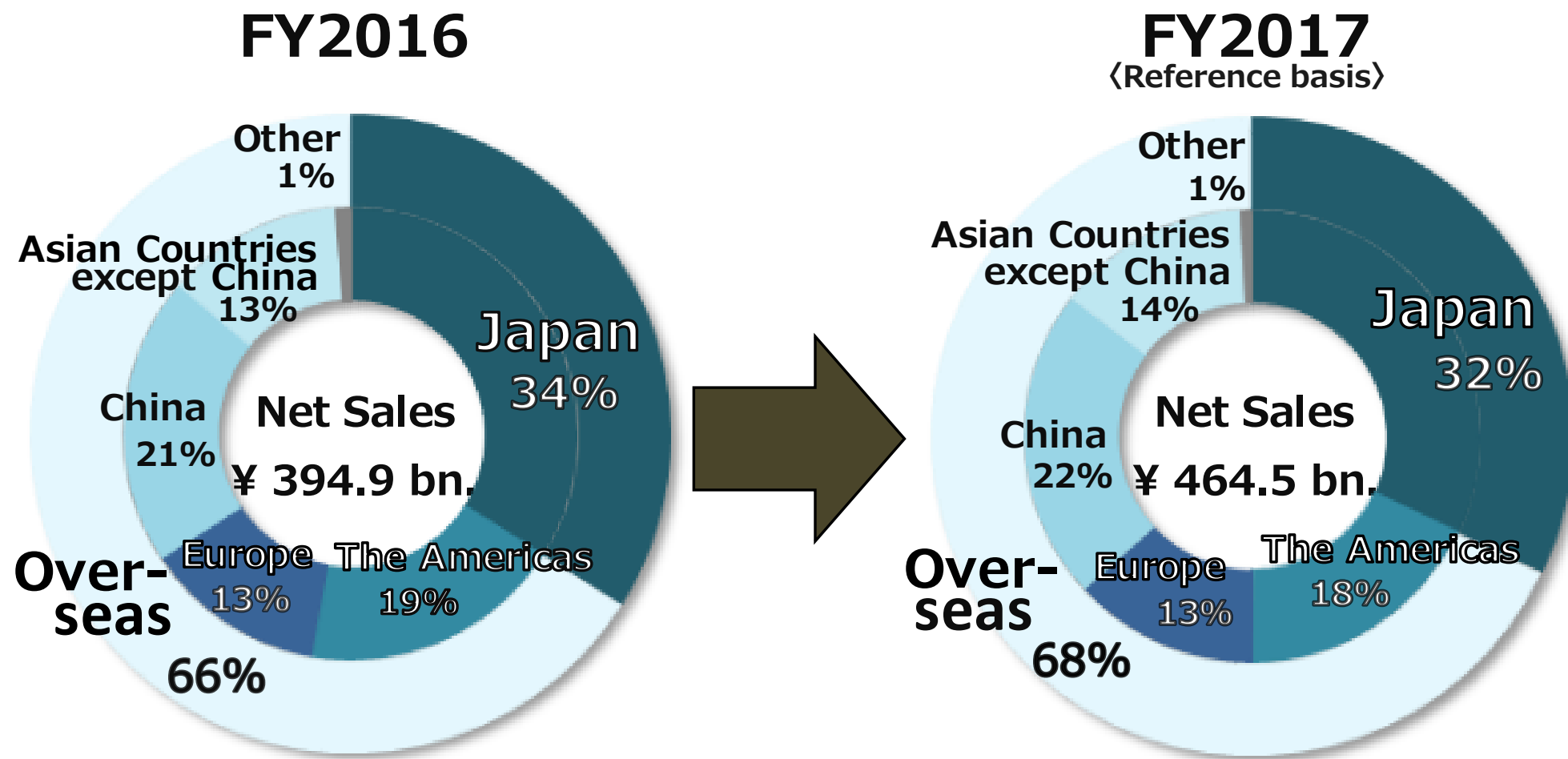
- Sales to all destinations, especially China and other Asian countries increased

(Billions of yen)	FY2017 〈Financial reporting basis〉	Impact of change	FY2017 〈Reference basis〉	FY2016	Changes [※]	
					Amounts	%
Net sales	448.5	+16.0	464.5	394.9	+69.6	+17.6%
Japan	133.9	+14.9	148.8	134.2	+14.6	+10.9%
Overseas	314.6	+1.0	315.7	260.7	+55.0	+21.1%
The Americas	83.1	+0.8	83.8	74.7	+9.1	+12.2%
Europe	60.9	+0.0	60.9	50.7	+10.2	+20.1%
China	103.3	+0.1	103.5	81.2	+22.2	+27.3%
Asian Countries except China	63.4	+0.1	63.5	49.8	+13.7	+27.5%
Other	4.0	+0.0	4.0	4.2	-0.2	-5.9%

Note: Other includes Australia and South Africa, etc.

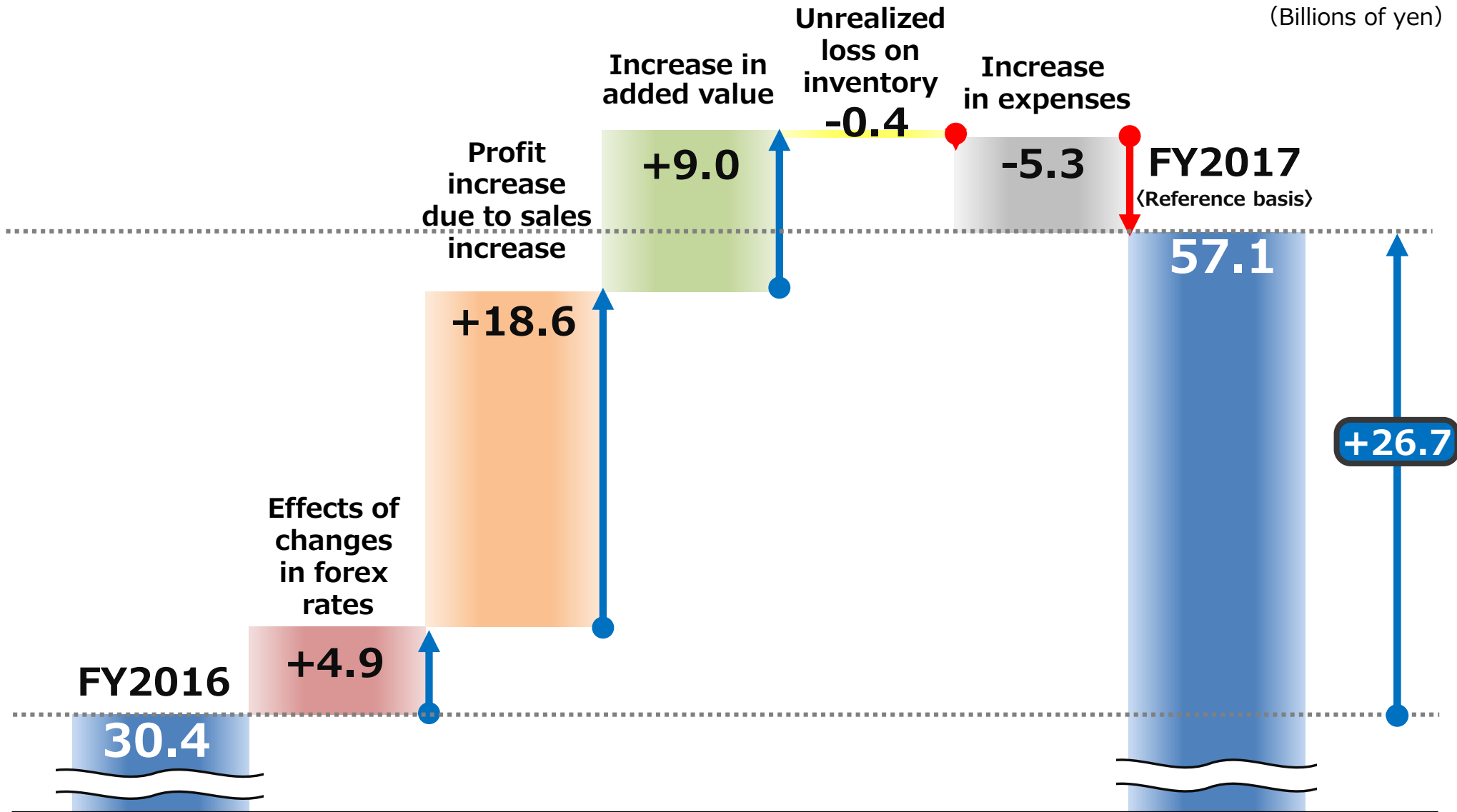
* Comparison between FY2017 results <Reference basis > and FY2016 results

Sales Breakdown by Destination (2)



Breakdown of Changes in Operating Income (FY2016 → FY2017)

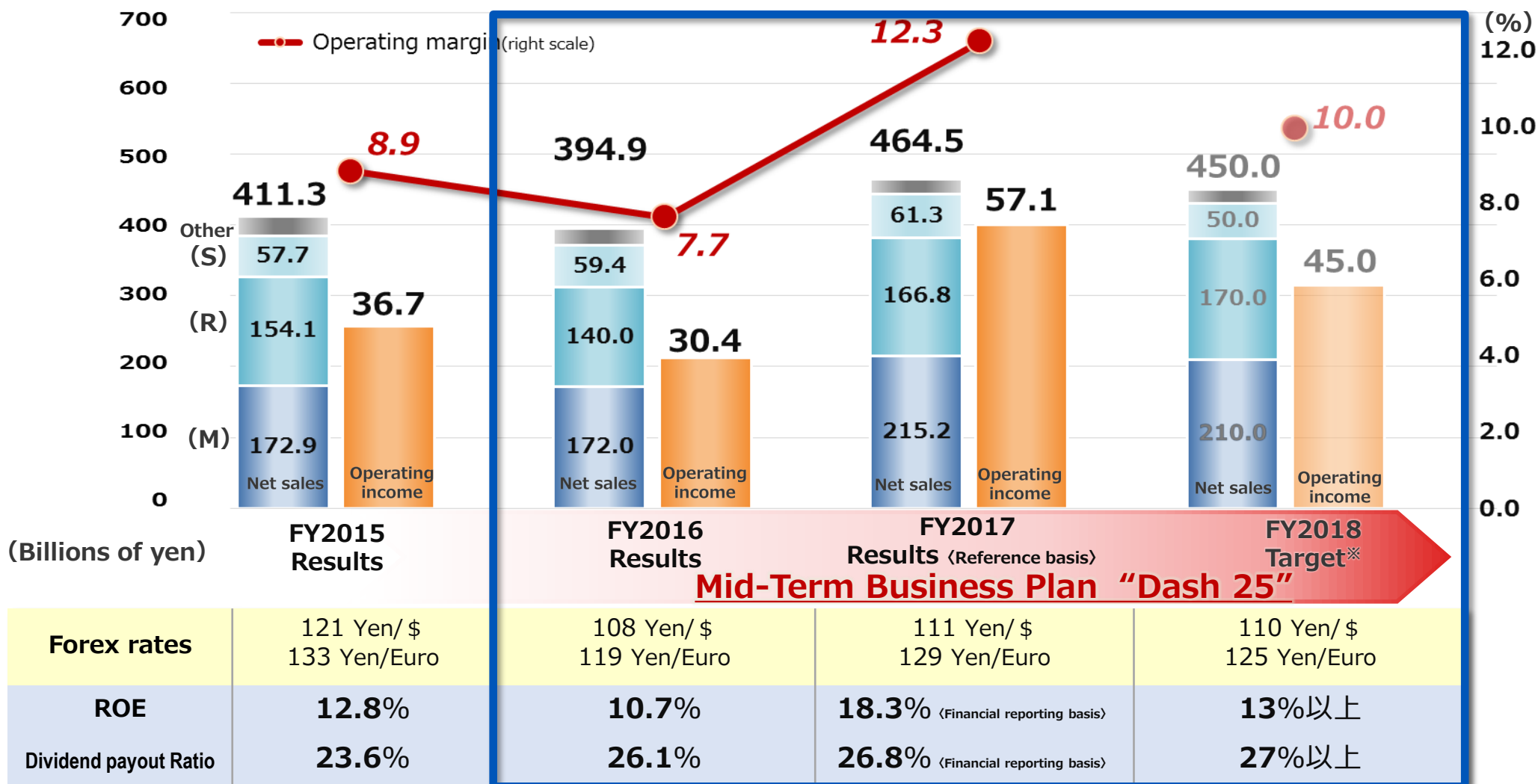
(Billions of yen)



2. Mid-Term Business Plan “Dash 25”

Progress of "Dash 25" (1)

Profit goals of the mid-term business plan "Dash 25" were achieved a year ahead of schedule



Note1: FY2015 sales by business segment reflect the change in the division of business segments.

Note2: (M) = Motion Control (R) = Robotics (S) = System Engineering

*Figures announced in April 2016

Progress of “Dash 25” (2)

Note: (M) = Motion Control (R) = Robotics (S) = System Engineering

	Results	Challenges
<u>Policy 1</u> Maximize results of the previous plan Realize100	Development & launch of new products <ul style="list-style-type: none"> • (M):Enhanced Σ-7 series line-up and switchover ratio • (R):Launched new models and controller. Enhanced line-up Enhancement of production and sales capabilities <ul style="list-style-type: none"> • Production capacity expansion in (M)(R) • Enhancement of market-oriented strategy through IMM (cross-sectoral) system 	Development & launch of new products <ul style="list-style-type: none"> • (M):Accelerate launch of new AC drive products • (R):Implementation of strategy for the growth market with new models *Automobile OEM, general industries, 3C in China, Semiconductor, etc. Enhancement of production and sales capabilities <ul style="list-style-type: none"> • (M):Production capacity expansion in Japan and China • (R):Production capacity expansion in China and Europe
<u>Policy 2</u> Build foundation for realizing Vision 2025	Realization of Yaskawa Industrie 4.0 <ul style="list-style-type: none"> • Released “i3-Mechatronics” concept • Groundbreaking of Yaskawa Solution Factory • Capital tie-up with XCompass, a venture company specializing in AI Expansion of core business areas <ul style="list-style-type: none"> • Sales expansion through collaboration with Everwin and Midea in China • (R):Launch of collaborative robot Automation of food production <ul style="list-style-type: none"> • Development of solutions for home-meal replacement production and plant factory 	Realization of “i3-Mechatronics” concept <ul style="list-style-type: none"> • Enhancement of sales structure • Launch of Yaskawa Solution Factory • Strengthen development of solutions using AI Expansion of core business areas <ul style="list-style-type: none"> • Further sales expansion for the general industry • Sales expansion of collaborative robot Automation of food production <ul style="list-style-type: none"> • Establish foundation of automation business for home-meal replacement production and plant factory
<u>Policy 3</u> Grow clean power into core business	Clean power business <ul style="list-style-type: none"> • Profitability improvement for large-scale wind turbine • Restructuring of business locations for PV inverter business EV business <ul style="list-style-type: none"> • Completed preparation for commercial production at joint venture with Chery 	Clean power business <ul style="list-style-type: none"> • Sales expansion for large-scale wind turbines • Early launch of new PV inverter product EV business <ul style="list-style-type: none"> • Launch of commercial production at joint venture with Chery

3 . FY2018 Financial Forecasts (Ending February 28, 2019)

FY2018 Financial Forecasts (Highlight)

- Record high sales and profits planned on the back of strong demand for automation and labor-saving

	FY2018 Forecasts	FY2017 Results 〈Reference basis〉	Changes	
			Amounts	%
Net sales	¥ 510.0bn.	¥ 464.5bn.	+¥ 45.5bn.	+9.8%
Operating income	¥ 65.5bn.	¥ 57.1bn.	+¥ 8.4bn.	+14.7%
Ordinary income	¥ 67.0bn.	¥ 58.3bn.	+¥ 8.7bn.	+14.9%
Profit attributable to owners of parent	¥ 50.0bn.	¥ 41.7bn.	+¥ 8.3bn.	+19.8%

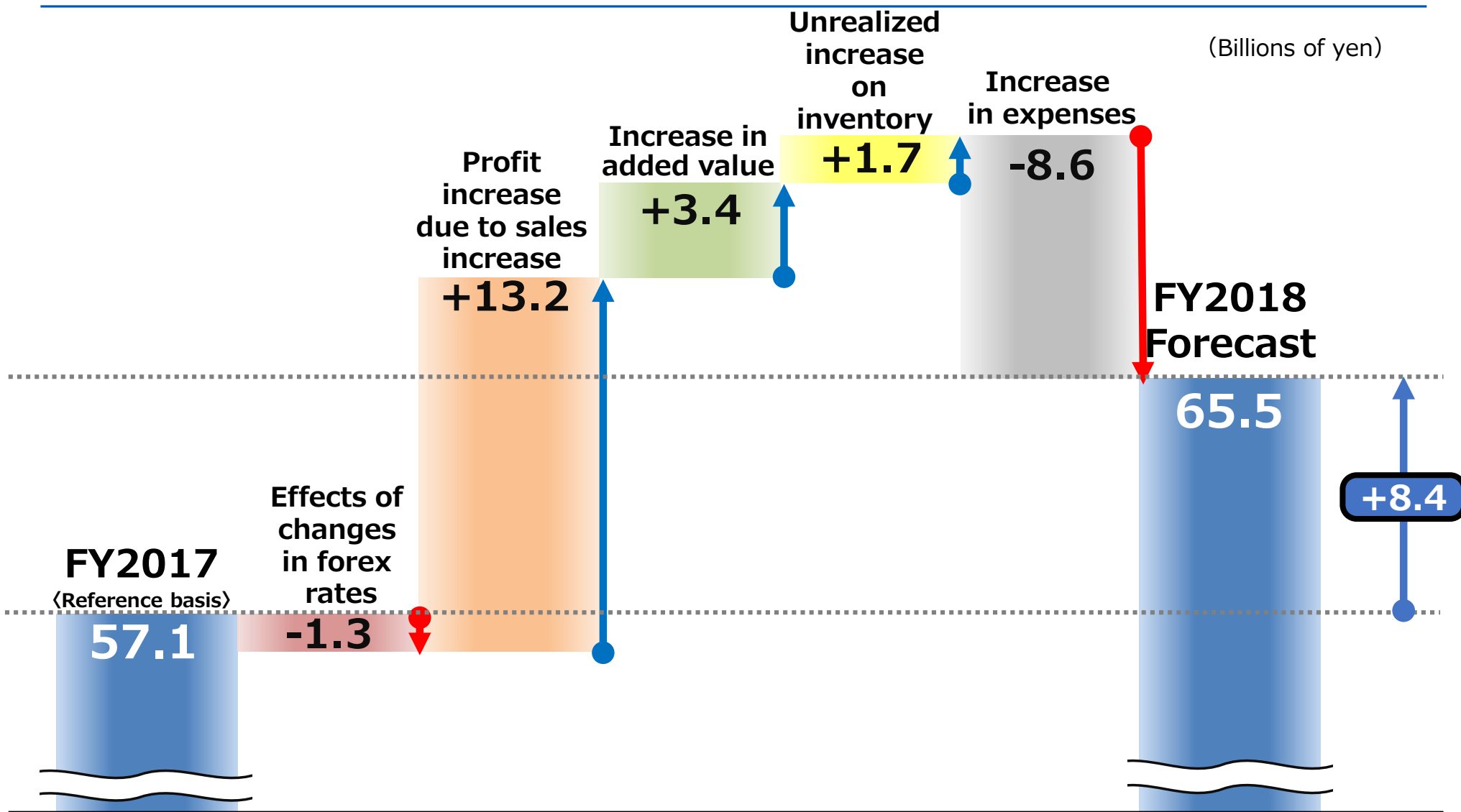
FY2018 Financial Forecasts by Business Segment

- Sales and profits increase in (M) and (R). (S) is planned to restore profitability.

(Billions of yen)	FY2018		FY2017		Changes	
	Forecasts	Income ratio	Results (Reference basis)	Income ratio	Amounts	%
Net sales	510.0		464.5		+45.5	+9.8%
Motion Control	231.5		215.2		+16.3	+7.6%
Robotics	183.2		166.8		+16.4	+9.8%
System Engineering	60.5		61.3		-0.8	-1.3%
Other	34.8		21.1		+13.6	+64.4%
Operating income	65.5	12.8%	57.1	12.3%	+8.4	+14.7%
Motion Control	45.8	19.8%	42.3	19.6%	+3.5	+8.3%
Robotics	21.1	11.5%	18.5	11.1%	+2.6	+14.2%
System Engineering	0.0	0.0%	-2.1	-3.4%	+2.1	-
Other	0.7	1.9%	-0.2	-0.7%	+0.8	-
Elimination or Corporate	-2.1	-	-1.4	-	-0.7	-
Ordinary income	67.0	13.1%	58.3	12.6%	+8.7	+14.9%
Profit attributable to owners of parent	50.0	9.8%	41.7	9.0%	+8.3	+19.8%

Note: (M) = Motion Control (R) = Robotics (S) = System Engineering

Breakdown of Changes in Operating Income (FY2017 → FY2018 Forecast)



Measures for FY2018 (1)

➤ Expand earnings in core businesses

➔ Automation and sophistication of production rapidly progressing globally

- Implement strategy in the robotics domain(robotics and motion control) using robot controller
- Sales expansion in the growth markets (automobile, semiconductor, general industries)
- Sales expansion by enhancing collaborative robot-related products and establishing sales channels
- Earnings expansion by efficient production to match the increase in sales volume

➤ Expand global production capacity

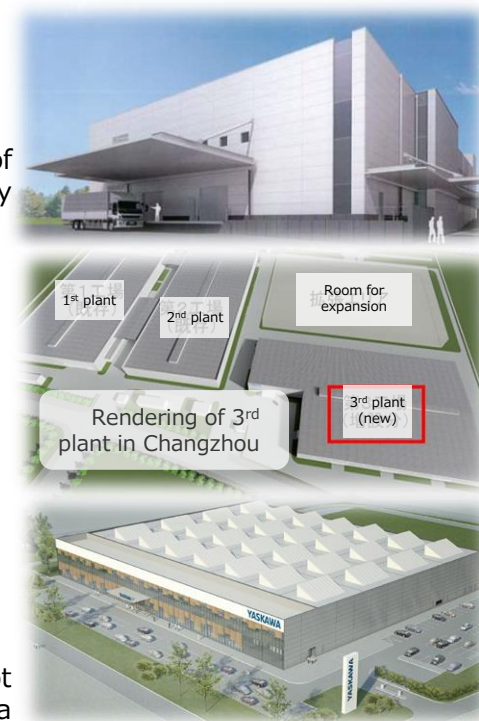
➔ Launch of “Yaskawa Solution Factory(tentative name)” a next-generation plant in Japan

Rendering of
Yaskawa Solution Factory

- Further improve productivity by demonstrating “i³-Mechatronics”

➔ Expansion and establishment of factories in China and Europe

- Expansion of Shenyang plant (AC servo production)
- Expansion of Changzhou plant (Robot production)
- Establishment of robot factory in Slovenia



Rendering of robot
factory in Slovenia

Measures for FY2018 (2)

➤ Enhance development capability by maximizing technological synergy

➔ Establishment of Yaskawa Technology Center (tentative name)

- Consolidate development functions in Japan and establish a consecutive R&D structure from basic research to test production of commercial production

➤ Rebuild sales structure in Japan

➔ Change from sales by product/business to sales by region/customer

- Enhance cross-sectoral activities to meet the change in customers' needs

➤ Expansion of new businesses

➔ Enhance resources by selection and concentration

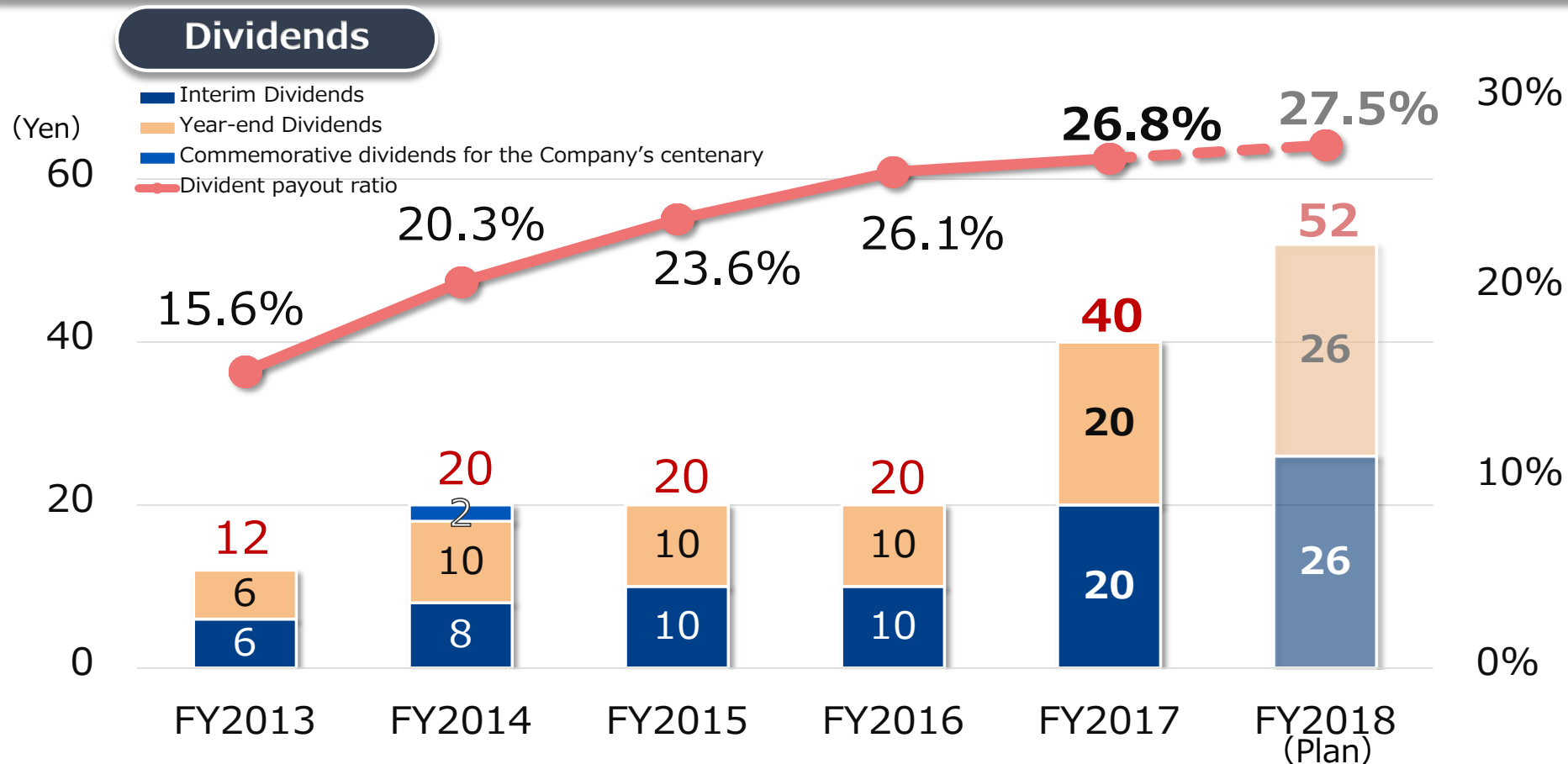
- Accelerate automation and labor-saving in food production market in Japan
- Launch new products, restructure business operation and streamline the global business foundation in clean power business
- Launch commercial production of EV powertrain through a joint venture in China (Chery Yaskawa E-Drive System Co., Ltd.)



Robot carrying sandwich
to the food tray

Shareholder Return (Acquisition of treasury shares and dividends)

- Acquisition of two million treasury shares (max. 12 billion yen in value terms)
- Increase in payout ratio implemented according to plan (more than 30% in 2020)



4. Reference

Impact of retroactive application of revision in the division of business segments (FY2016)

- The PV inverter business, which was previously included in Motion Control, is included in System Engineering, starting fiscal 2017.

FY2016 (After segment revision)								Changes
(Unit: Billions of yen)	1Q	2Q	1H	3Q	4Q	2H	Full-Year	Full-Year
Net sales	90.4	97.3	187.6	97.0	110.2	207.2	394.9	-
Motion Control	40.8	42.4	83.2	42.5	46.3	88.8	172.0	-11.3
Robotics	32.4	36.0	68.4	33.7	37.9	71.6	140.0	-
System Engineering	11.7	13.0	24.7	15.5	19.2	34.7	59.4	11.2
Other	5.5	5.9	11.4	5.4	6.8	12.2	23.5	0.1
Operating income	5.5	8.4	13.8	7.8	8.8	16.6	30.4	-
Motion Control	4.6	6.2	10.8	6.1	5.9	12.0	22.8	2.0
Robotics	2.2	3.4	5.6	2.3	2.3	4.7	10.3	-
System Engineering	-0.9	-0.7	-1.6	-0.1	1.1	1.0	-0.6	-1.5
Other	-0.2	-0.2	-0.4	-0.1	-0.2	-0.3	-0.7	-0.5
Elimination or Corporate	-0.3	-0.2	-0.6	-0.4	-0.4	-0.7	-1.3	-

Capital Expenditure, R&D Investment, Forex Rates

Capital expenditure

(Unit : Billions of yen)

	F Y 2 0 1 6	F Y 2 0 1 7	F Y 2 0 1 8 (Plan)
Capital expenditure	14.9	19.7	30.0
Depreciation and Amortization	12.1	12.7	14.0

R&D investment

(Unit : Billions of yen)

	F Y 2 0 1 6	F Y 2 0 1 7	F Y 2 0 1 8 (Plan)
R&D investment	18.0	19.1	21.0

Forex rates

(Unit : Yen)

	F Y 2 0 1 6			F Y 2 0 1 7			F Y 2 0 1 8 (Forecasts)
	1H	2H	Full-Year	1H	2H	Full-Year	Full-Year
U.S. dollar	107.1	109.6	108.4	111.5	111.5	111.4	105.0
Euro	120.0	118.4	119.2	124.4	133.3	128.8	130.0

Financial Indices

As of March 20, 2017

➤ Shareholders' equity ratio	51.2%
➤ Shareholders' equity	198.5 billion yen
➤ Interest-bearing debt	36.8 billion yen
➤ D/E ratio	0.19
(Net D/E ratio)	0.04
➤ Inventory	79.9 billion yen
Turnover	2.4 months
➤ ROE	10.7%

As of February 28, 2018

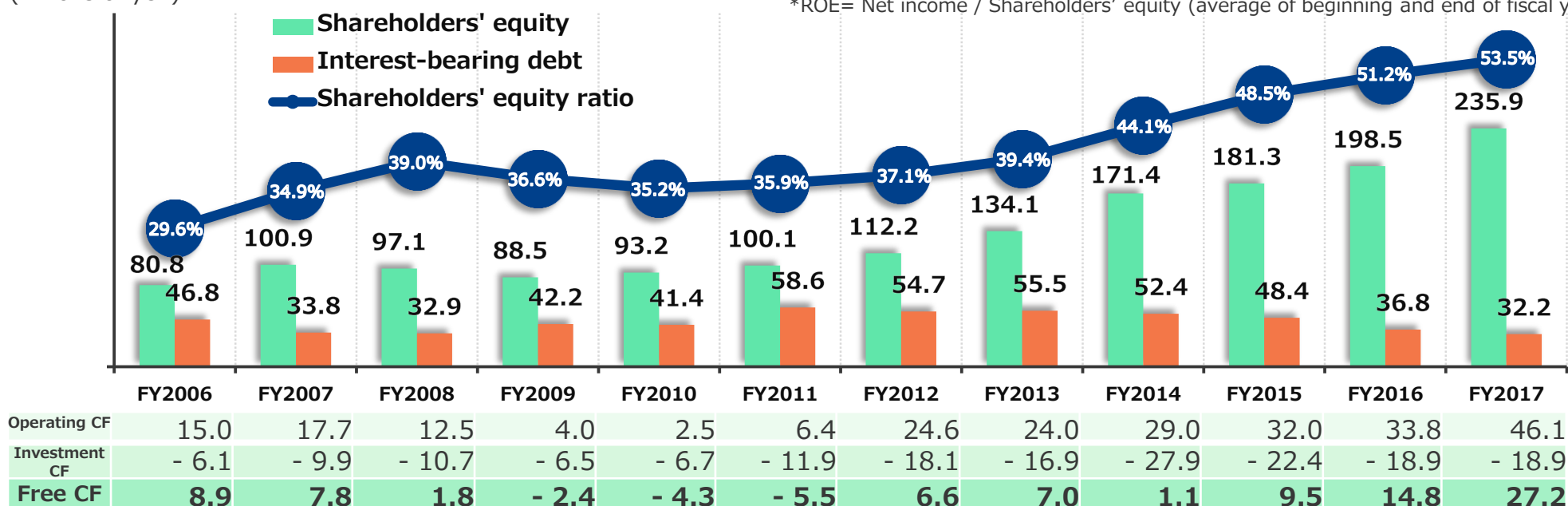
➤ Shareholders' equity ratio	53.5%
➤ Shareholders' equity	235.9 billion yen
➤ Interest-bearing debt	32.2 billion yen
➤ D/E ratio	0.14
(Net D/E ratio)	-0.04
➤ Inventory	100.1 billion yen
Turnover	2.7 months
➤ ROE	18.3%

*Interest-bearing debt includes lease obligations.

*Inventory at the end of the period is used for calculating turnover months.

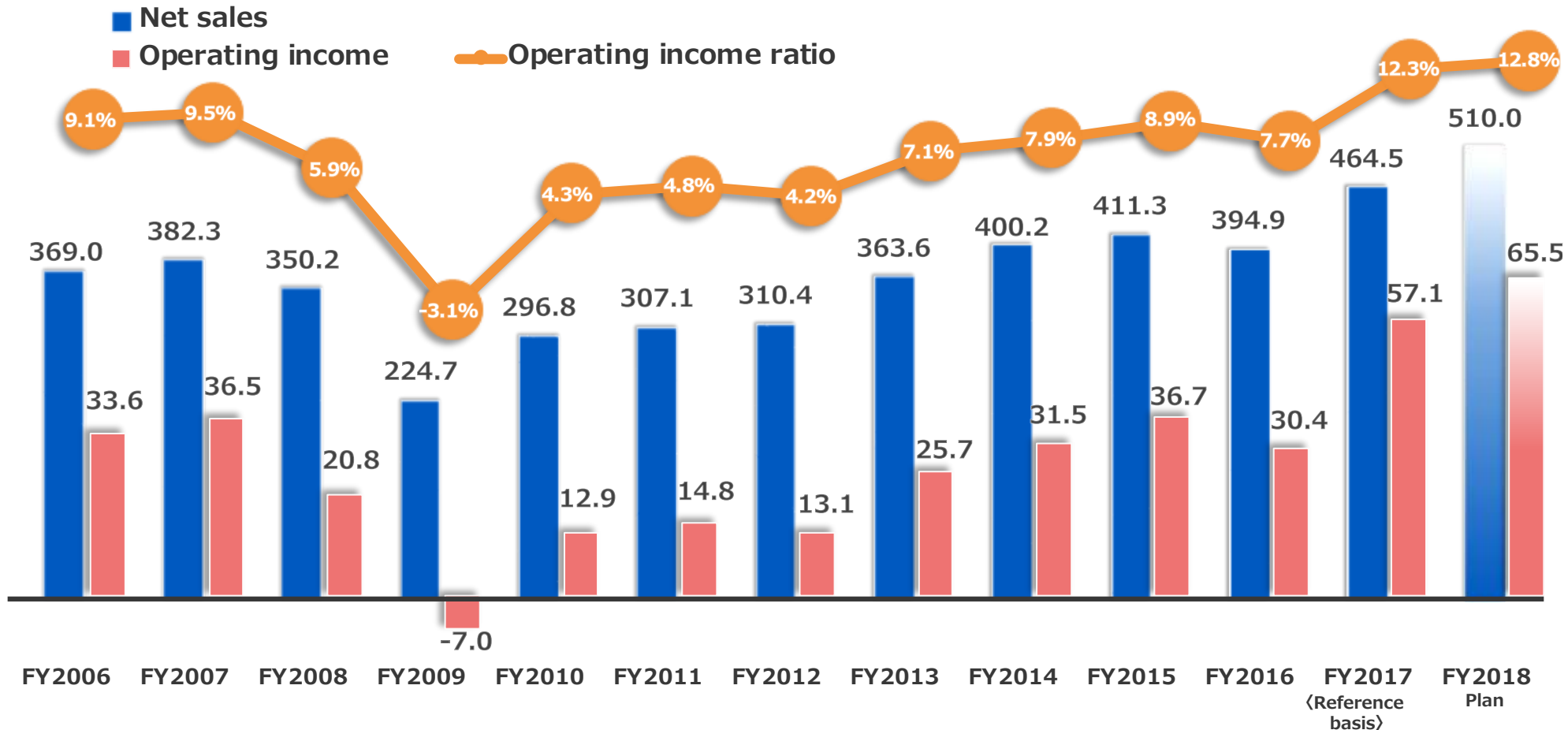
*ROE= Net income / Shareholders' equity (average of beginning and end of fiscal year)

(Billions of yen)



Net Sales/Operating Income (FY2006-2018 Plan)

(Billions of yen)



Dash 100

Challenge 100

Realize 100

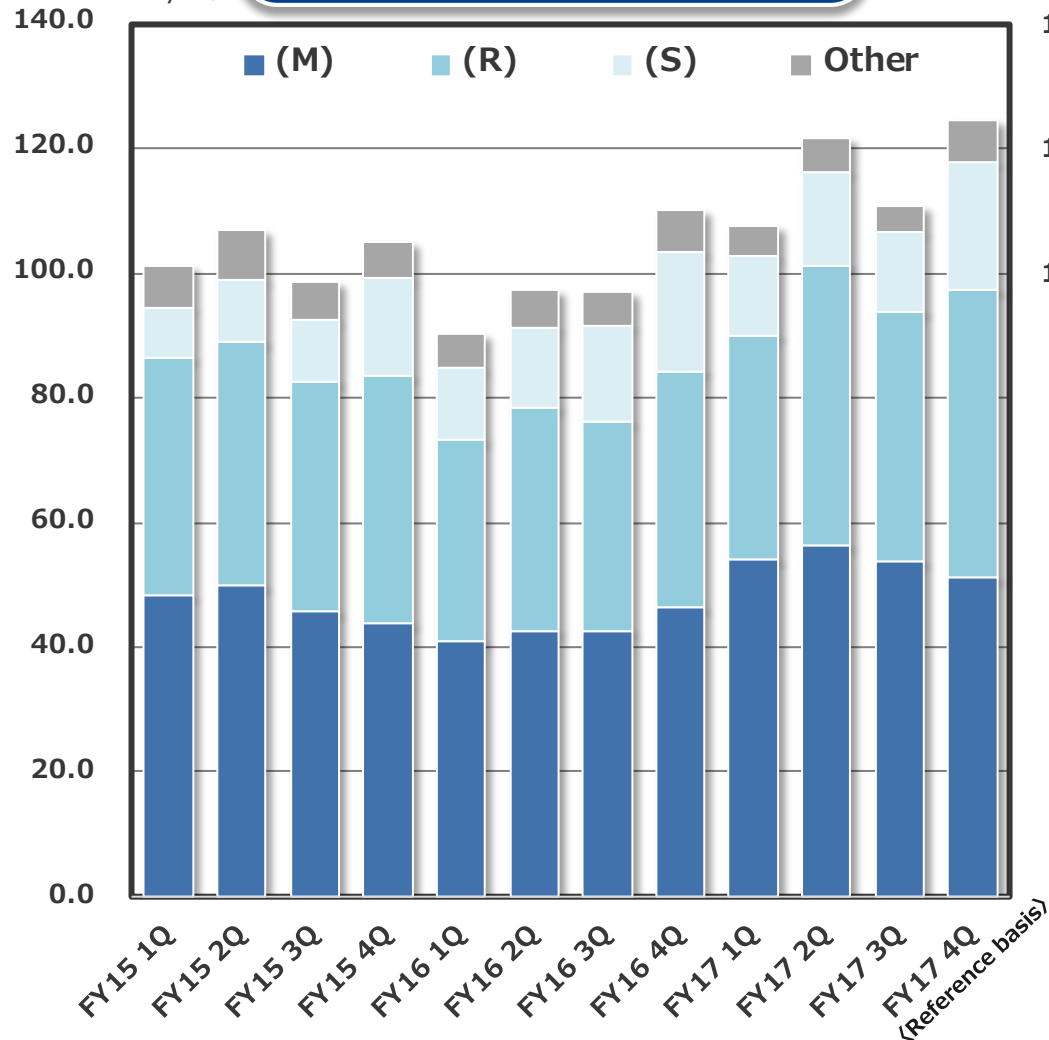
Dash 25

Mid-term business plans

Quarterly Sales Trends (1)

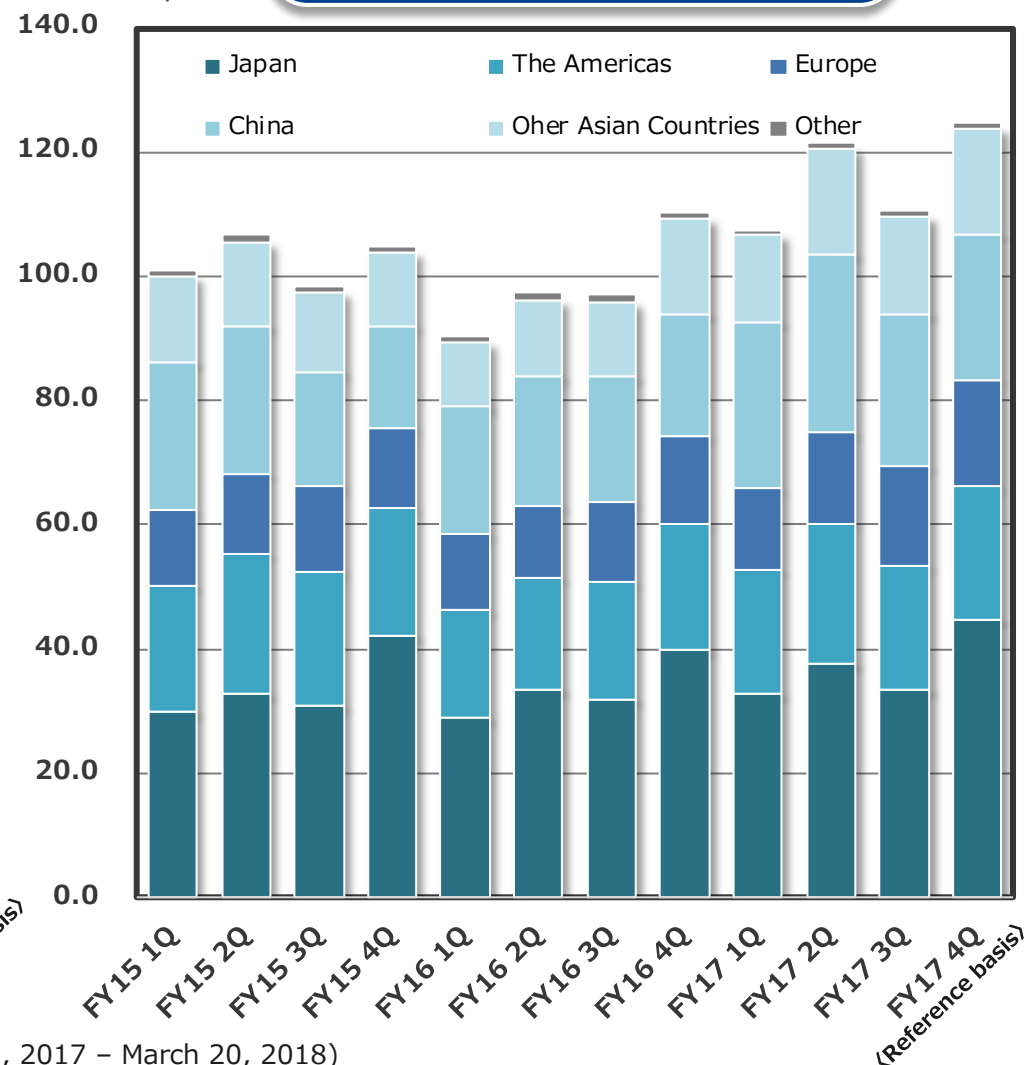
Business segment

(Billions of yen)



Destination

(Billions of yen)



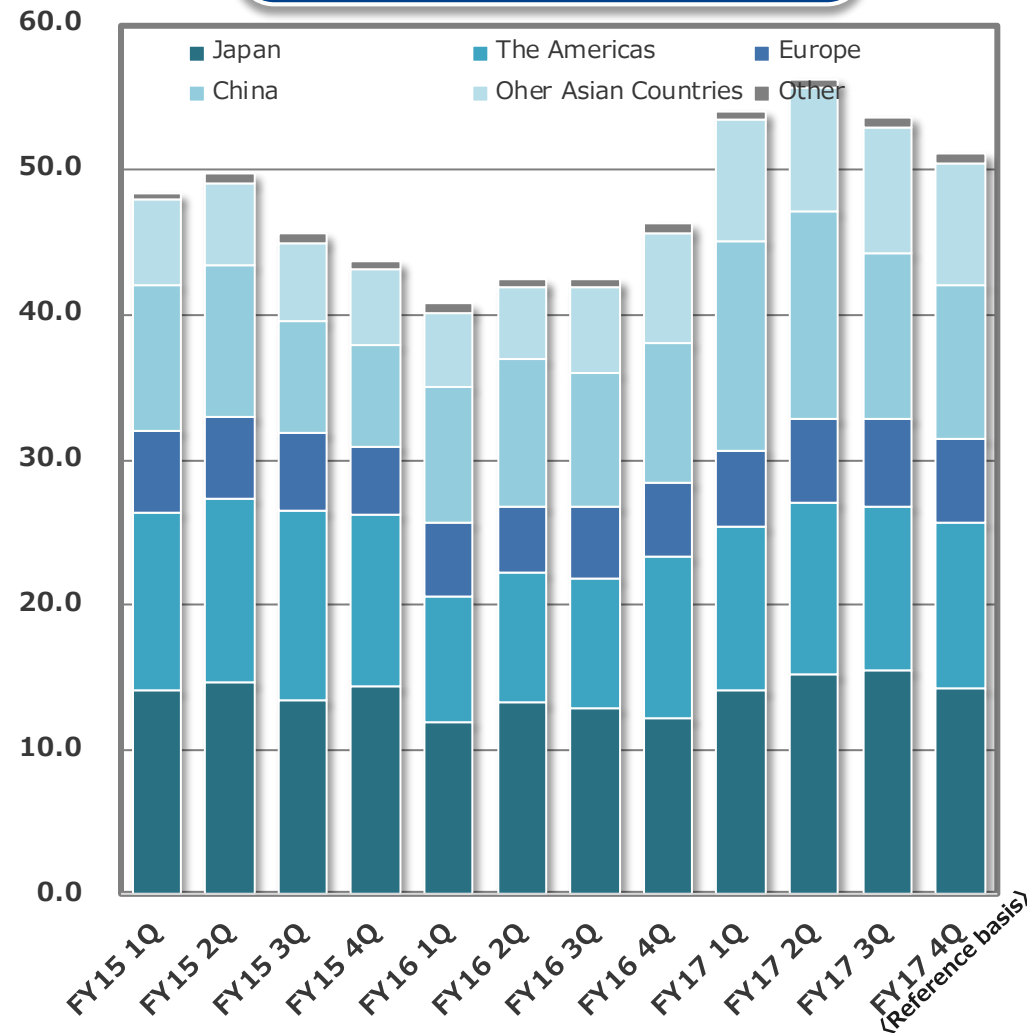
Note1: The data for FY2017 4Q are made on a reference basis. (December 21, 2017 – March 20, 2018)

Note2: (M) = Motion Control (R) = Robotics (S) = System Engineering Note3: FY2015 figures do not reflect the change in the division of business segments

Quarterly Sales Trends (2)

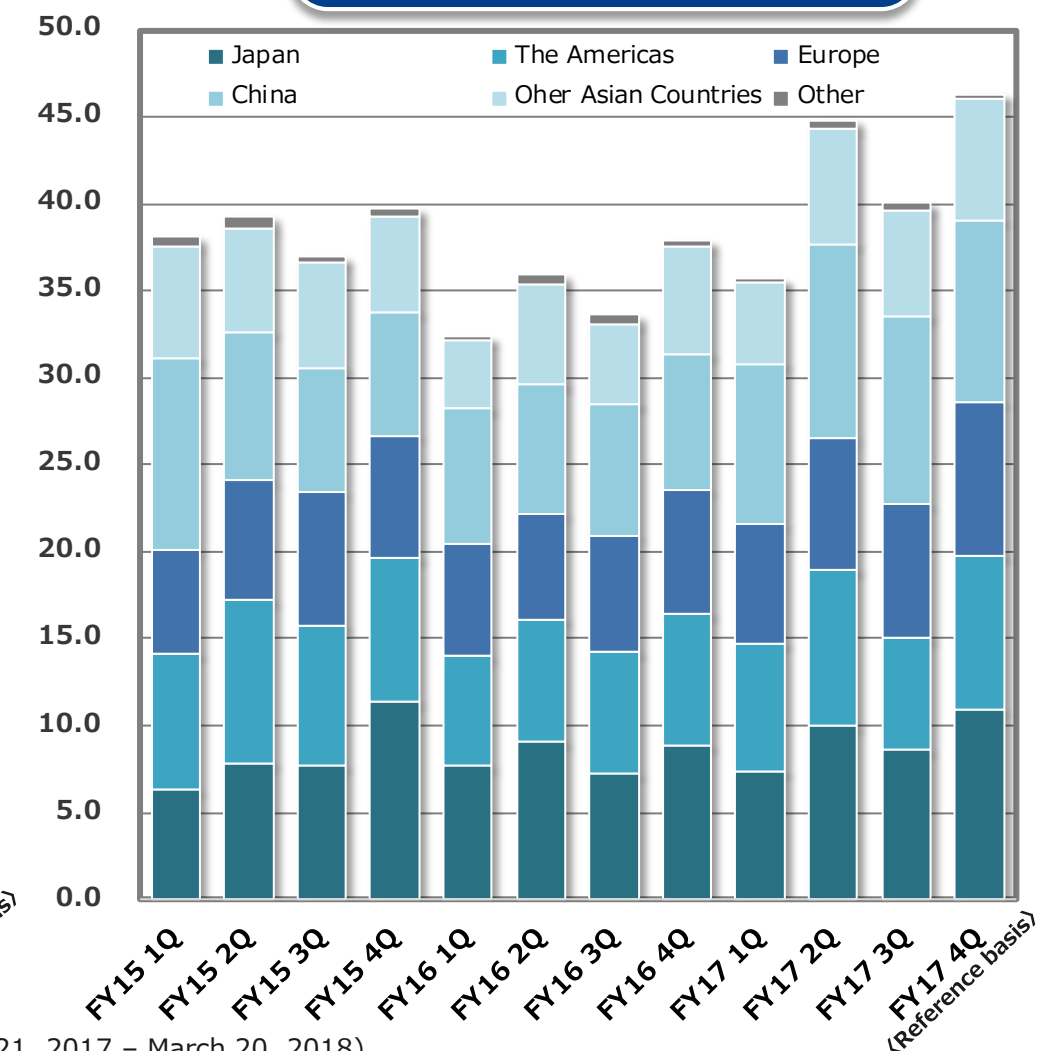
Motion Control

(Billions of yen)



Robotics

(Billions of yen)

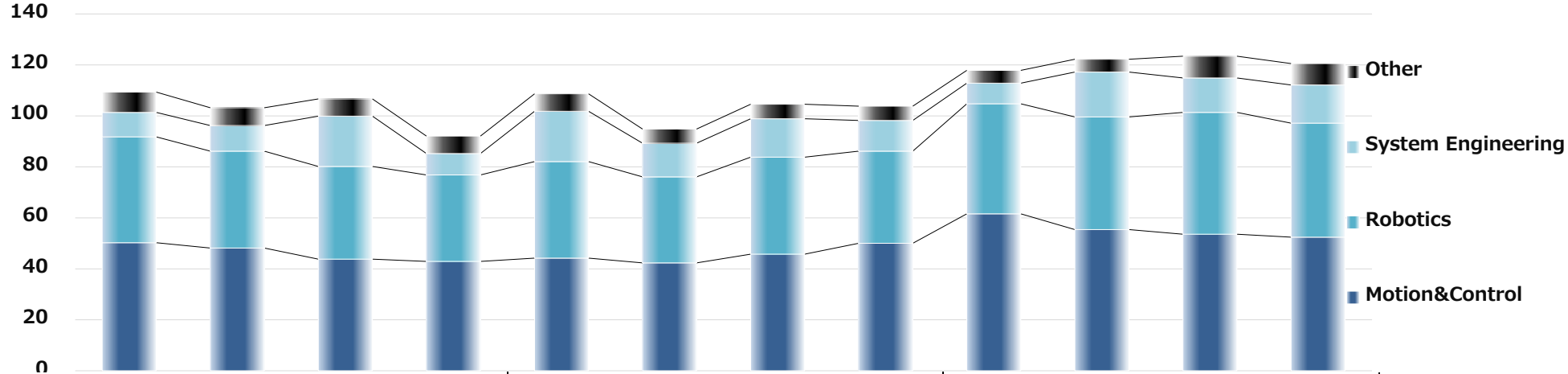


Note1: The data for FY2017 4Q are made on a reference basis. (December 21, 2017 – March 20, 2018)

Note2: FY2015 figures do not reflect the change in the division of business segments.

Quarterly Order Trends by Business Segment *Average forex rates during period used

(Billions of Yen)



		FY2015				FY2016				FY2017			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total	YoY	+8%	+6%	+1%	▲17%	▲1%	▲8%	▲2%	+13%	+8%	+29%	+18%	+16%
	QoQ	▲1%	▲6%	+3%	▲14%	+18%	▲13%	+10%	▲1%	+13%	+4%	+1%	▲2%
YoY	(M)	+3%	+5%	▲8%	▲12%	▲12%	▲12%	+5%	+17%	+39%	+31%	+17%	+5%
	(R)	+17%	+18%	+1%	▲14%	▲9%	▲11%	+5%	+7%	+14%	+31%	+25%	+24%
	(S)	+23%	+3%	+40%	▲37%	+106%	+31%	▲24%	+43%	▲59%	+33%	▲10%	+24%
QoQ	(M)	+3%	▲4%	▲9%	▲2%	+3%	▲4%	+8%	+9%	+23%	▲10%	▲3%	▲2%
	(R)	+6%	▲8%	▲4%	▲7%	+12%	▲11%	+13%	▲5%	+19%	+2%	+8%	▲6%
	(S)	▲28%	+5%	+96%	▲57%	+134%	▲33%	+14%	▲20%	▲33%	+118%	▲23%	+11%
Forex rates	U.S. dollar	120.2	123.5	121.0	118.5	110.8	103.5	104.8	114.5	111.9	111.1	112.2	110.7
	Euro	131.2	137.4	133.9	129.7	124.5	115.6	115.3	121.5	120.9	127.9	132.4	134.2

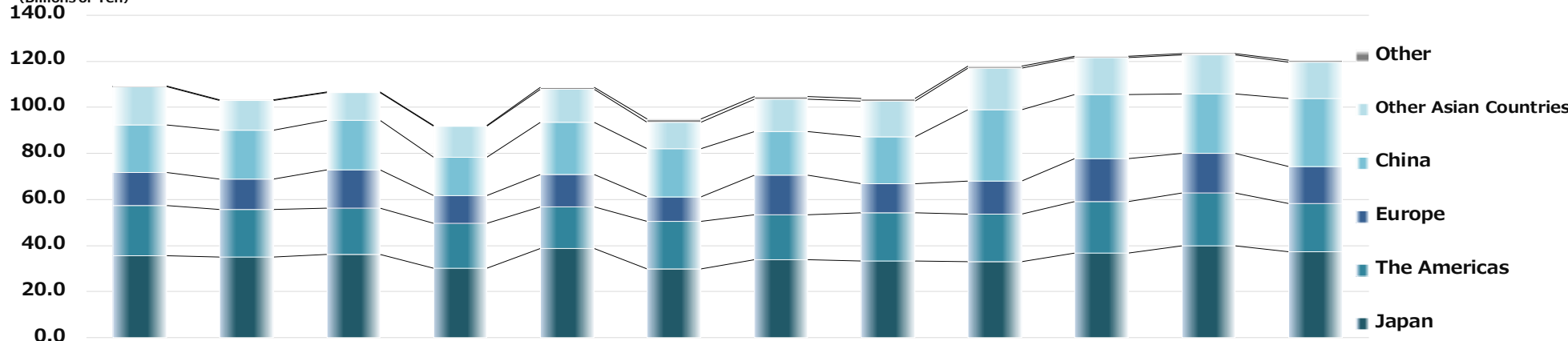
Note1: (M) = Motion Control (R) = Robotics (S) = System Engineering

Note2: The data for FY2017 4Q are made on a reference basis. (December 21, 2017 – March 20, 2018)

Note3: FY2015 figures do not reflect the change in the division of business segments.

Quarterly Order Trends by Destination *Average forex rates during period used

(Billions of Yen)

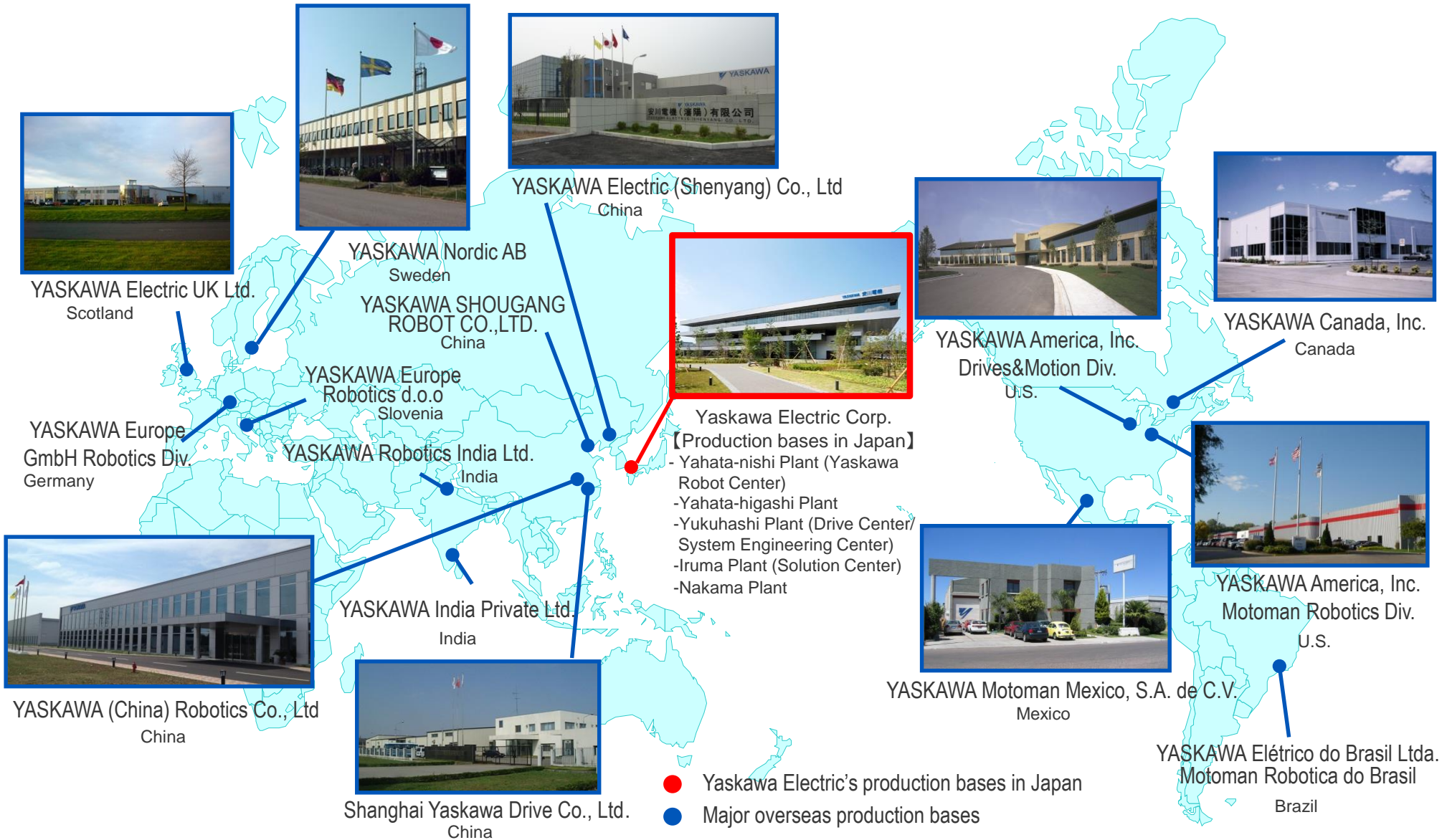


		FY2015				FY2016				FY2017			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q (Reference basis)
Total	YoY	+8%	+6%	+1%	▲17%	▲1%	▲8%	▲2%	+13%	+8%	+29%	+18%	+16%
	QoQ	▲1%	▲6%	+3%	▲14%	+18%	▲13%	+10%	▲1%	+13%	+4%	+1%	▲2%
YoY	Japan	▲3%	▲7%	▲11%	▲16%	+9%	▲15%	▲6%	+11%	▲15%	+23%	+18%	+12%
	The Americas	+30%	+17%	+3%	▲8%	▲17%	▲1%	▲2%	+7%	+15%	+9%	+17%	+0%
	Europe	+15%	+6%	+24%	▲29%	▲3%	▲18%	+2%	+6%	+2%	+73%	▲0%	+25%
	China	▲7%	+14%	+18%	▲21%	+10%	▲2%	▲12%	+21%	+36%	+34%	+38%	+47%
	Other Asian Countries	+32%	+14%	▲10%	▲12%	▲13%	▲10%	+17%	+15%	+27%	+40%	+20%	+1%
QoQ	Japan	+0%	▲2%	+3%	▲17%	+29%	▲23%	+14%	▲2%	▲1%	+12%	+9%	▲7%
	The Americas	+1%	▲4%	▲3%	▲2%	▲8%	+14%	▲5%	+7%	▲1%	+8%	+2%	▲8%
	Europe	▲14%	▲9%	+26%	▲28%	+17%	▲23%	+58%	▲25%	+13%	+30%	▲9%	▲6%
	China	▲2%	+2%	+2%	▲23%	+37%	▲9%	▲9%	+7%	+53%	▲11%	▲6%	+15%
	Other Asian Countries	+6%	▲21%	▲5%	+12%	+4%	▲19%	+23%	+10%	+15%	▲10%	+5%	▲7%

Note1: The data for FY2017 4Q are made on a reference basis. (December 21, 2017 – March 20, 2018)

Note2: FY2015 figures do not reflect the change in the division of business segments.

Major Production Bases



YASKAWA